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OPEN MEETING AGENDA ITEM

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Arizona Corporation Commission

DOCKETED

MAY 30 2002

DOCKETED BY

**Youngtown**  
1200 Clubhouse Square  
Youngtown, Arizona 85363Daphne Green  
Mayor  
Jim Trolen  
Vice Mayor  
Richard Gregory  
Eileen Greiss  
Janice Beck  
Larry Oglesby  
Lucille Retheford

May 30, 2002

Chairman Mundell  
Commissioner Irvin  
Commissioner Spitzer  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85004Mark K. Fooks  
Town ManagerRe: Town of Youngtown's Opposition to the Groundwater Savings  
Project - Docket Nos: W-01656A-98-0577 and SW-02334A-98-0577

Dear Chairman and Commissioners:

The Town of Youngtown, once a supporter of the concept of the Groundwater Savings Project as proposed by Arizona-American Water Company, has reevaluated the Project in light of the information contained in the Preliminary Engineering Report, the cost to ratepayers associated with the Project, and the actual operating results of the Agua Fria Recharge Project. Based upon this reexamination, the Town no longer can support the expenditure of more than \$15 million in capital improvements and the associated 25% increase in rates, where the initial results of the operating Agua Fria Recharge Project clearly demonstrates that the aquifer underlying the Town and the Sun Cities will be substantially benefited without any capital expenditure, if Sun City Water Company and Sun City West Utilities (the "Water Companies") utilize the Agua Fria Recharge Facility to recharge their CAP water.

The Town realizes that the issue of how to put Arizona-America Water Company's CAP water to use has been debated by the Water Companies, its customers and the Commission since 1995. As a member of the CAP Task Force, formed by the Water Companies, the Town, as well as the rest of the members of the Task Force were faced with choosing between three basic options:

1. Treating CAP water and delivering it as potable water. This option was clearly the most expensive both as to capital costs and ongoing operating costs.
2. Building a distribution system that would permit the delivery of untreated CAP water as a substitution of existing groundwater pumping for golf courses and other non-potable uses. This option was also expensive, but would directly substitute CAP water for

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groundwater that otherwise would be pumped in the Water Company's service areas.

3. Recharge the CAP water. Three options were presented: (I) recharge has in lieu water with the Maricopa Water District (the least expensive recharge option, with only indirect benefits to the Water Company's customers); or (ii) use of planned, but unobstructed recharge sites off of the Agua Fria River by either the CAWCD (somewhat more expensive); or (iii) construction of a recharge site near the Agua Fria River by the Water Companies (more expensive).

Based upon the information provided during the task force meetings, the Town was convinced that recharge at the MWD, the Agua Fria Recharge Site or a company develop recharge site along the Agua Fria would provide only indirect benefits to the service areas. Our representative was convinced that expending up to \$15 Million to supply water to golf courses and requiring ratepayers to bear the full burden was not unreasonable. The Town's Mayor and Council no longer agree with those conclusions and therefore oppose any authorization of the Groundwater Savings Project.

★ The Town opposes the project because it will impose a 25% increase in rates. To the Water Companies' customers residing within the Town, this will be substantial hardship, especially when coupled with rate increases for other reasons it could impose another 25% increase.

Secondly, the CAWCD Agua Fria Project is no longer speculative. It is operational. The costs of utilizing the facility are nominal. The Water Companies would have to provide no up front capital and rate payers would not have to repay the significant capital costs involved with the Groundwater Savings Project. Furthermore, the initial results from the Agua Fria Recharge Project demonstrate that there will be direct and immediate benefits from utilization of the recharge site. With the 10,000 acre feet having been stored at the site, versus annual storage anticipated being in excess of 100,000 acre feet, water levels in proximity to the site have already increased as much as 20 feet. The projected area of impact for the project extends beyond Sun City's and the Town.

Finally, the Town now realizes that, at best, it will receive only indirect benefits from the Groundwater Savings Project. The Town cannot support the 25% increase in rates that will not directly benefit its residents.

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Based upon the foregoing, the Town has adopted the enclosed resolution opposing the Groundwater Savings Project. The Mayor and Council respectfully request the Commission take no further action to encourage the development of the Groundwater Savings Project or provide the Water Companies with any assurances that the costs of the Project will be recoverable in rates. We strongly support the use of CAP water but encourage the Commission to support the use at the Agua Fria Recharge Site.

The Mayor and Council appreciate your consideration of their concerns. We look forward to presenting the Town's position at the open meeting when this matter is considered.

Very truly yours,

A handwritten signature in cursive script, reading "Daphne Green".

Daphne Green  
Mayor  
Town of Youngtown

Enclosure: Resolution 02-11

cc: Susan D. Goodwin, Esq., Town Attorneys

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Town Hall: 623/933-8286 • Police: 623/974-3665 • Court: 623/972-8226 • Fax: 623/933-5951

**RESOLUTION NO. 02-11**

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF YOUNGTOWN, ARIZONA, EXPRESSING SUPPORT OF THE USE OF CAP WATER IN A WISE AND ECONOMICAL MANNER; OPPOSING THE GROUNDWATER SAVINGS PROJECT PROPOSED BY ARIZONA-AMERICAN WATER COMPANY FOR ITS SUN CITY WATER COMPANY AND SUN CITY WEST UTILITIES AFFILIATES; AND SUPPORTING THE RECHARGE OF CAP WATER AT THE AGUA FRIA RECHARGE FACILITY OPERATED BY THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT.

WHEREAS, the Mayor and Council recognize the need to maximize the use of Central Arizona Project water;

WHEREAS, the Mayor and Council support the wise and economical use by Arizona-American Water Company and its affiliates Sun City Water Company and Sun City West Utility of their CAP allocation;

WHEREAS, the construction of the Groundwater Savings Project currently planned by Arizona-American Water Company is projected to cost over \$15 Million and increase water rates approximately 25%;

WHEREAS, the 25% increase in water rates will constitute a hardship on the residents of the Town;

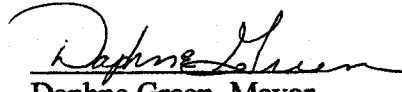
WHEREAS, the residents of the Town will only receive indirect benefits from the Groundwater Savings Project; and

WHEREAS, similar benefits can be achieved by recharging the CAP water at the CAWCD Agua Fria Recharge Facility without requiring the expenditure of any capital costs,


NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of the Town of Youngtown, Arizona, that the Groundwater Savings Project be formally opposed and recharge at the CAWCD Agua Fria Recharge Facility formally support it, and

BE IT FURTHER RESOLVED that the Mayor and Town Council communicate to the Arizona Corporation Commission their opposition to the Groundwater Savings Project and a request that the Commission not approve the Groundwater Savings Project and instead support utilization of the Central Arizona Water Conservation Agua Fria Recharge Facility by Arizona-American Water Company and its affiliates Sun City Water Company and Sun City West Utilities.

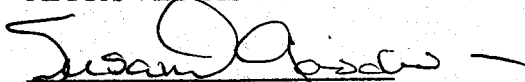
PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE TOWN OF  
YOUNGTOWN, ARIZONA THIS 28th DAY OF May, 2002.

  
Daphne Green, Mayor


ATTEST:

  
Town Clerk, Shaunna Lee

APPROVED AS TO FORM:

  
Martinez & Curtis, P.C.  
Town Attorneys  
By: Susan D. Goodwin

I hereby certify the above foregoing Resolution No. 02-11 was duly passed by the Council of the Town of Youngtown, Arizona, at a regular meeting held on May 28, 2002, and that quorum was present thereat and that the vote thereon was 6 ayes and 0 nays and 0 abstentions. 1 Council members were absent or excused.

  
Town Clerk  
Town of Youngtown